

DISCOUNT NOTES OFFERING CIRCULAR

Tennessee Valley Authority

DISCOUNT NOTES

The Tennessee Valley Authority ("TVA" or "Corporation") is a wholly owned corporate agency and instrumentality of the United States of America. Discount Notes are being issued by TVA pursuant to its authorization under the TVA Act of 1933, as amended, to issue evidences of indebtedness. The Discount Notes will be offered with maturities of less than one year from their date of issue. They will be sold at a discount, in book-entry form only, in principal amounts of \$100,000 and additional integral multiples of \$1,000. The principal amount of the Discount Notes will be payable solely from TVA's Net Power Proceeds as herein defined (but may, at the option of TVA, be paid from the proceeds of refunding obligations or other funds legally available for such payment).

The Discount Notes will be offered for sale on a continuous basis to a group of investment dealers and dealer banks (called "Selling Group") selected by TVA. TVA may also sell original issue Discount Notes to any member of the Selling Group acting as principal. Current quotations for Discount Notes of varying maturities can be obtained by contacting any Selling Group member. A list of current Selling Group members can be obtained by writing or calling TVA. A more complete description of the Discount Notes appears under "Description of the Discount Notes".

This Discount Notes Offering Circular should be read in conjunction with TVA's current Information Statement and any amendment or supplement thereto or replacement thereof (the "current Information Statement"). See "Availability of Information and Incorporation by Reference".

THE DISCOUNT NOTES WILL NOT BE OBLIGATIONS OF, NOR WILL PAYMENTS THEREON BE GUARANTEED BY, THE UNITED STATES OF AMERICA. THE DISCOUNT NOTES ARE NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES ACT OF 1933. ACCORDINGLY, NO REGISTRATION STATEMENT HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. TVA IS NOT SUBJECT TO THE PERIODIC REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934.

No dealer, salesperson or any other person has been authorized by TVA to give any information or to make any representations on behalf of TVA other than those contained in this Discount Notes Offering Circular, any amendment or supplement thereto, or TVA's current Information Statement and, if given or made, such information or representations must not be relied upon as having been authorized by TVA. Neither the delivery of this Discount Notes Offering Circular or the current Information Statement nor any sale of Discount Notes described herein shall under any circumstances create an implication that the information provided herein or therein is correct at any time subsequent to their respective dates. This Discount Notes Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy Discount Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Discount Notes Offering Circular Dated May 15, 1995

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DISCOUNT NOTES OFFERING CIRCULAR SUMMARY

The information below is qualified in its entirety by the detailed information appearing in TVA's current Information Statement and elsewhere in this Discount Notes Offering Circular. Capitalized terms used and not defined herein have the meanings defined in such Information Statement and elsewhere in this Discount Notes Offering Circular.

Issuer	TVA is a wholly owned corporate agency and instrumentality of the United States of America established by the Tennessee Valley Authority Act of 1933.
The Discount Notes	The Discount Notes described herein are offered by TVA on a discounted basis, in book-entry form only, with maturities of less than one year and in principal amounts of \$100,000 and additional integral multiples of \$1,000. See "Description of the Discount Notes" — "General".
Offering Procedure	The Discount Notes are offered on a continuous basis for sale to Selling Group members selected by TVA. See "Description of the Discount Notes" — "Distribution Arrangements".
Fiscal Agent	Federal Reserve Banks.
Form of Discount Notes	The Discount Notes will be issued and maintained and may be transferred by Holders only on the book-entry system of the Federal Reserve Banks. See "Description of the Discount Notes" — "Book-Entry System".
Use of Proceeds	The net proceeds from the sale of the Discount Notes offered hereby will be used to assist in financing TVA's power program.
Source of Payment	The Discount Notes are payable solely from Net Power Proceeds (but may, at the option of TVA, be paid from the proceeds of refunding obligations or other funds legally available for such payment) and are not obligations of, or guaranteed by, the United States of America. As to application of Net Power Proceeds, the payment of the principal of and the interest on Bonds issued under the Basic Resolution ranks senior to the payment of Discount Notes. See "Description of the Discount Notes" — "Debt Service".
Legality of Investment	<p>The Discount Notes described herein:</p> <ul style="list-style-type: none">• are acceptable as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of any officer or agency of the United States of America;• are eligible as collateral for Treasury tax and loan accounts;• are among those obligations which national banks may deal in, underwrite and purchase for their own accounts up to 10 percent of unimpaired capital and surplus;• are eligible as collateral for advances by Federal Reserve Banks to depository institutions;• are legal investments for federal savings associations and federal savings banks to the extent specified in applicable regulations;• are eligible as collateral for advances by Federal Home Loan Banks for which the Discount Notes are legal investments; and• are legal investments for federal credit unions. <p>See "Legality of Investment".</p>
Taxation	Income on the Discount Notes is subject to various federal tax consequences. Under the Act, the Discount Notes are exempt as to principal and interest from all taxation now or hereafter imposed by any state or local taxing authority except estate, inheritance and gift taxes. See "Tax Matters".

TENNESSEE VALLEY AUTHORITY

TVA is a wholly owned corporate agency and instrumentality of the United States of America established pursuant to the Tennessee Valley Authority Act of 1933, as amended (the “Act”). Its objective is to develop the resources of the Tennessee Valley region in order to strengthen the regional and national economy and the national defense. The programs of TVA consist of power and non-power programs. The Act authorizes TVA to issue Evidences of Indebtedness (as such term is defined under “Description of the Discount Notes”) that may only be used to finance its power program.

TVA is administered by the Board of Directors of TVA (the “Board”) which is composed of three persons appointed by the President and confirmed by the Senate. Appointments are for nine-year staggered terms with one term expiring with each three-year interval.

TVA is required annually to file with the President and with the Congress a financial statement and a complete report as to the business of the Corporation. The Comptroller General of the United States is authorized to periodically audit the transactions of TVA.

Under certain conditions, TVA may borrow from the United States Treasury (sometimes called “Treasury”) up to \$150 million for a period of one year or less. Since 1962, TVA has borrowed \$150 million each year under such arrangement with the Treasury. Additionally, any issuance by TVA of Evidences of Indebtedness with a term of one year or longer is subject to the approval of the Secretary of the Treasury as to the issue date and maximum interest rate. The borrowing authority of TVA is treated as budget authority by the Office of Management and Budget for purposes of the budget of the United States.

RATE SETTING AUTHORITY

The Act delegates to the Board sole responsibility for establishing the rates which TVA charges and authorizes it to include in power contracts such terms and conditions as in its judgment may be necessary or desirable for carrying out the purposes of the Act. The Act requires the Corporation to charge rates for power which, among other things, will produce gross revenues sufficient to provide funds for operation, maintenance and administration of its power system; payments to states and counties in lieu of taxes; debt service on outstanding Evidences of Indebtedness, including provision and maintenance of reserve funds and other funds established in connection therewith; and annual payments to the Treasury in repayment of and as a return on the Government’s appropriation investment in TVA power facilities. See “The Basic Resolution; Power Bonds, Discount Notes and Other Indebtedness” — “Rate Covenant” in the current Information Statement. Rates set by the Board are not subject to review or approval by any state or federal regulatory body.

AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

This Discount Notes Offering Circular should be read in conjunction with TVA’s current Information Statement which is incorporated herein by this reference. Any statement contained in the current Information Statement shall be modified or superseded for all purposes of the current Information Statement and this Discount Notes Offering Circular to the extent that a statement contained in this Discount Notes Offering Circular modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified, to constitute a part of the current Information Statement. Additional copies of this Discount Notes Offering Circular and copies of the current Information Statement may be obtained upon written request directed to Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902, Attention: Vice President and Treasurer, or by calling (615) 632-3366.

USE OF PROCEEDS

The net proceeds received by TVA from the sale of the Discount Notes will be used to assist in financing TVA’s power program.

DESCRIPTION OF THE DISCOUNT NOTES

General

The Discount Notes are offered on a continuous basis and have maturities of less than one year. The Discount Notes are issued in principal amounts of \$100,000 and additional integral multiples of \$1,000. The maturities of the Discount Notes offered by TVA and the purchase prices for Discount Notes of varying maturities are established on a daily basis by TVA. Information with respect to the maturities available and current prices can be obtained from members of the Selling Group through whom TVA offers the Discount Notes.

The Discount Notes are sold on a discounted basis. The purchase price of a Discount Note will be the difference between the principal amount of the Discount Note and the number derived from the following formula:

$$\frac{\left(\begin{array}{c} \text{Principal} \\ \text{Amount} \\ \text{of Discount Note} \end{array} \times \begin{array}{c} \text{Percentage} \\ \text{of Discount} \end{array} \times \begin{array}{c} \text{Number of Days Between} \\ \text{Issue Date and Maturity} \\ \text{Date of Discount Note} \end{array} \right)}{360 \text{ days}}$$

Issuance Authority

The Discount Notes are to be issued pursuant to Section 15d of the Act and pursuant to section 2.5 of the Basic Tennessee Valley Authority Power Bond Resolution adopted on October 6, 1960, as amended on September 28, 1976, October 17, 1989 and March 25, 1992 (the "Basic Resolution") and the resolution authorizing the issuance of certain short-term debt adopted on January 23, 1991, as amended on February 17, 1993 and May 9, 1994 (the "Resolution" and together with the Basic Resolution, the "Resolutions"). The Resolution authorizes the issuance of short-term debt not to exceed \$5.5 billion at any one time outstanding through the use of the book-entry system of the Federal Reserve Banks. The Discount Notes shall be in such form and upon such terms and conditions as deemed appropriate by TVA's Chief Financial Officer, or duly authorized representatives, and set forth in a Short-Term Debt Certificate as provided for under the Resolution. TVA has entered into a Fiscal Agency Agreement dated as of October 17, 1989 (the "Fiscal Agency Agreement"), with the Federal Reserve Banks, as fiscal agents (together, the "Fiscal Agent").

The Act authorizes TVA to issue and sell bonds, notes and other evidences of indebtedness (hereinafter collectively referred to as "Evidences of Indebtedness") to assist in financing its power program and to refund such Evidences of Indebtedness. The aggregate amount of Evidences of Indebtedness at any one time outstanding is limited to \$30 billion. As of March 31, 1995, TVA had \$26.6 billion of Evidences of Indebtedness outstanding. There are \$1.2 billion of Bonds (as defined in the Basic Resolution) that are being redeemed under in-substance defeasance arrangements and are not considered by TVA to be debt that is subject to the \$30 billion limit.

The summaries herein of certain provisions of the Act, the Resolutions and the Fiscal Agency Agreement do not purport to be complete and are qualified in their entirety by reference to all the provisions of the Act, the Resolutions and the Fiscal Agency Agreement, copies of which may be obtained upon written request directed to Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902, Attention: Vice President and Treasurer, or by calling (615) 632-3366.

Debt Service

The Discount Notes will be payable solely from TVA's Net Power Proceeds (but may, at the option of TVA, be paid from the proceeds of refunding obligations or other funds legally available for such payment), which are defined as the remainder of TVA's Gross Power Revenues (as defined in the Basic Resolution) after deducting the costs of operating, maintaining and administering its power properties (including multiple-purpose properties in the proportion that multiple-purpose costs are allocated to power) and payments to states and counties in lieu of taxes, but before deducting depreciation accruals or other charges representing

the amortization of capital expenditures, plus the net proceeds of the sale or other disposition of any Power Facility (as defined in the Basic Resolution) or interest therein. The Act also requires TVA to make certain payments to the United States Treasury each year from Net Power Proceeds in excess of those required for debt service as a return on and reduction of the Appropriation Investment (as defined in the Basic Resolution). See “Certain Provisions of The Tennessee Valley Authority Act” — “Payments to the Treasury” in the current Information Statement.

As to the application of Net Power Proceeds, Bonds rank senior to Discount Notes and other Evidences of Indebtedness as to principal and on a parity with or senior to other Evidences of Indebtedness as to interest. The payment of the principal of and the interest on such Bonds ranks senior to the payment of Discount Notes described herein. As of March 31, 1995, TVA had \$23.1 billion of Bonds outstanding. This amount does not include the \$1.2 billion of Bonds being defeased under in-substance defeasance arrangements. For a further discussion of the application of Net Power Proceeds, see “The Basic Resolution; Power Bonds, Discount Notes and Other Indebtedness” — “Application of Net Power Proceeds” in the current Information Statement. There is no limit on other indebtedness or securities which may be issued by TVA and no financial or similar restrictions on TVA, except as provided under the Act, the Basic Resolution and the Resolution. See “The Basic Resolution; Power Bonds, Discount Notes and Other Indebtedness” in the current Information Statement.

Payment of Principal Amount

Payment of the Discount Notes is due in full on each respective maturity date. Payments will be made on the applicable payment dates to Holders (as such term is defined under “Book-Entry System”) of the Discount Notes which are Holders as of the close of business on the Business Day, as defined below, preceding such payment dates, by credit of the payment amount to the Holders’ accounts at the Federal Reserve Banks. The Holder and each other financial intermediary in the chain to the beneficial owner will have the responsibility of remitting payments for the account of their customers.

In any case in which the maturity date is not a Business Day, payment of the Discount Notes shall be made on the next succeeding Business Day with the same force and effect as if made on the maturity date. The term “Business Day” shall mean any day other than a Saturday or Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to be closed.

Book-Entry System

The Discount Notes will be issued and maintained and may be transferred only on the book-entry system of the Federal Reserve Banks, in principal amounts of \$100,000 and additional integral multiples of \$1,000.

The Federal Reserve Banks will issue the Discount Notes in book-entry form and will maintain book-entry accounts with respect to the Discount Notes and make payments, on behalf of TVA, of the principal amount of the Discount Notes on the applicable payment dates by crediting Holders’ accounts at the Federal Reserve Banks.

The foregoing paragraph is a summary of certain provisions of the Fiscal Agency Agreement, and does not purport to be a complete statement of all the provisions of such agreement.

Regulations governing the use of the book-entry system for the Discount Notes are contained in 18 C.F.R. Part 1314, and such procedures, insofar as applicable, as may from time to time be established by regulations of the United States Treasury Department governing obligations of the United States Treasury, are contained in Treasury Department Circular No. 300. These regulations and procedures relate primarily to the registration, transfer, exchange and pledge of such obligations. A copy of Circular No. 300 may be obtained upon request from any Federal Reserve Bank, the Treasury Department or TVA. The accounts of holders on the Federal Reserve Banks’ book-entry system are governed by applicable operating circulars and letters of the Federal Reserve Banks.

The Discount Notes may be held of record only by entities eligible to maintain book-entry accounts with the Federal Reserve Banks. Such entities whose names appear on the book-entry records of a Federal Reserve

Bank as the entities for whose accounts the Discount Notes have been deposited are herein referred to as “Holders”. A Holder is not necessarily the beneficial owner of a Discount Note. Beneficial owners will ordinarily hold Discount Notes through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Discount Note, and each other financial intermediary in the chain to the beneficial owner, will have the responsibility of establishing and maintaining accounts for their respective customers. The rights of the beneficial owner of a Discount Note with respect to TVA and the Federal Reserve Banks may be exercised only through the Holder thereof. TVA and the Federal Reserve Banks will have no direct obligation to a beneficial owner of a Discount Note that is not also the Holder of such Discount Note. The Federal Reserve Banks will act only upon the instructions of Holders in recording transfers of the Discount Notes.

Distribution Arrangements

The Discount Notes are offered on a continuous basis for sale to Selling Group members selected by TVA. The sales may be held on a daily basis and there may be more than one sale on a given day. Current quotations for Discount Notes of varying maturities can be obtained by contacting any member eligible to participate in the sale of Discount Notes. Each eligible member has entered into a Selling Group Agreement with TVA establishing the terms and conditions for resale of the Discount Notes and each member has agreed to use its best efforts to maintain a secondary market in the Discount Notes. A list of current members of the Selling Group can be obtained upon written request directed to Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902, Attention: Vice President and Treasurer, or by calling (615) 632-3366.

LEGALITY OF INVESTMENT

The Discount Notes are lawful investments and may be accepted as security for all fiduciary, trust and public funds, the investment or deposit of which shall be under the authority or control of any officer or agency of the United States of America. 16 U.S.C. § 831n-4(d).

The Discount Notes are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. § 203.14(d)(1).

National banks may deal in, underwrite and purchase the Discount Notes for their own accounts in an amount not to exceed 10 percent of unimpaired capital and surplus. 12 U.S.C. § 24, seventh paragraph.

Federal Reserve Banks may accept the Discount Notes as eligible collateral for advances to depository institutions. 12 U.S.C. § 347 and 12 C.F.R. § 201.108(b)(13).

Federal savings associations and federal savings banks may, to the extent specified in applicable regulations, invest in the Discount Notes without regard to limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(F).

The Discount Notes are eligible as collateral for advances by Federal Home Loan Banks to federal savings and loan associations, federal savings banks and other members for which the Discount Notes are legal investments. 12 U.S.C. § 1430(a) and 12 C.F.R. § 935.9(a)(2).

Federal credit unions may purchase the Discount Notes. 12 U.S.C. § 1757(7)(E).

The Discount Notes are “obligations of a corporation which is an instrumentality of the United States” within the meaning of Section 7701(a)(19)(C)(ii) of the Internal Revenue Code for purposes of the 60 percent of assets limitation applicable to domestic building and loan associations.

TAX MATTERS

The following discussion describes certain United States federal (and state and local, where specifically noted) income and estate tax consequences of the purchase, ownership, and disposition of the Discount Notes, without consideration of the particular facts and circumstances of each beneficial owner’s situation. In

addition, the rules described below and their application to the Discount Notes are subject to change. Thus, each prospective beneficial owner and any other person or entity may neither construe as legal advice nor rely on the following discussion but rather each is urged to consult its own tax advisor with respect to United States federal and state tax consequences associated with ownership of a Discount Note, as well as any consequences arising under the laws of any other taxing jurisdiction.

For purposes of this discussion, “U.S. Person” means a citizen or resident of the United States, or a corporation or partnership organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust the income of which is includible in gross income for United States tax purposes regardless of its source. The term “U.S. beneficial owner” includes any U.S. Person which is a beneficial owner of a Discount Note and any person which is a beneficial owner of a Discount Note to the extent that the income attributable to such Discount Note is effectively connected with the person’s conduct of a United States trade or business.

U.S. Beneficial Owners

A U.S. beneficial owner is subject to federal income taxation on income from a Discount Note, and there is no special exemption for a Discount Note from federal estate and gift tax. The Act, however, provides that the Discount Notes are exempt both as to principal and interest from all taxation now or hereafter imposed by any state or local taxing authority except estate, inheritance and gift taxes. This exemption might not extend to franchise or other non-property taxes in lieu thereof imposed on corporations or to gain or loss realized upon the sale or exchange of a Discount Note.

Federal tax provisions provide that certain U.S. beneficial owners of a Discount Note shall include in gross income an amount based on the daily portions of the original issue discount for each day during the taxable year on which such holder held a Discount Note. These provisions apply to, among others, U.S. beneficial owners using an accrual method of accounting, banks, regulated investment companies, and also to situations where the Discount Notes are held primarily for sale to customers in the ordinary course of the U.S. beneficial owner’s trade or business. Such U.S. beneficial owners may elect to have different tax rules apply and report instead the daily portions of acquisition discount on a Discount Note.

U.S. beneficial owners who are not required to follow the current income inclusion rules outlined above will generally be subject to the rule that on the sale or exchange (including retirement) of a Discount Note, any gain realized which does not exceed the ratable share of the original issue discount shall be treated as ordinary income. This ordinary income will be treated as ordinary interest income. Such U.S. beneficial owners will also be subject to rules requiring the deferral of deductions for certain interest expense with respect to a Discount Note. However, the interest expense deferral requirements will not apply where a U.S. beneficial owner elects to use the accrual-basis method to report income.

Except as otherwise discussed above, upon the sale or retirement of a Discount Note, a U.S. beneficial owner generally will recognize capital gain or loss equal to the difference between the amount realized on the sale or retirement and the U.S. beneficial owner’s adjusted basis for the Discount Note, provided the Discount Note is held as a capital asset. The basis for a Discount Note will be increased by the amount of original issue discount previously included in the gross income of the U.S. beneficial owner.

Non-U.S. Beneficial Owners

Generally, a non-U.S. beneficial owner will not be subject to United States federal income taxation on payments made in respect of a Discount Note. To qualify for the exemption from taxation, the last U.S. Person in the chain of payment prior to payment to a non-U.S. beneficial owner (the “Withholding Agent”) must have received in the year in which such a payment occurs, or in either of the two preceding years, a statement that (i) is signed by the beneficial owner under penalties of perjury, (ii) certifies that such owner is not a U.S. beneficial owner, and (iii) provides the name and address of the beneficial owner. The statement may be made on an Internal Revenue Service Form W-8 or substantially similar substitute form, and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Discount Note is held through a securities clearing organization or certain other

financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of a Form W-8 or substitute form provided by the beneficial owner to the organization or institution holding the Discount Note on behalf of the beneficial owner.

Generally, any amount which constitutes capital gain to a non-U.S. beneficial owner upon retirement or disposition of a Discount Note will not be subject to federal income taxation in respect of such amount. Certain exceptions may be applicable and an individual non-U.S. beneficial owner should consult a tax advisor.

The Discount Notes will not be includible in the federal estate of a non-U.S. beneficial owner.

Backup Withholding

Backup withholding of United States federal income tax at a rate of 31 percent may apply to payments made in respect of the Discount Notes to beneficial owners who are not exempt recipients and who fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the manner required. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Discount Notes to a U.S. beneficial owner must be reported to the United States Internal Revenue Service, unless such U.S. beneficial owner is an exempt recipient or establishes an exemption. Compliance with the identification procedures (described in the preceding section) would establish an exemption from backup withholding for those non-U.S. beneficial owners who are not exempt recipients.

In addition, upon the sale of a Discount Note to (or through) a broker, the broker must withhold at a rate of 31 percent of the reportable payment, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. beneficial owner, certifies that such seller is a non-U.S. beneficial owner (and certain other conditions are met). Such a sale must also be reported by the broker to the United States Internal Revenue Service, unless either (i) the broker determines that the seller is an exempt recipient or (ii) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the beneficial owner's non-U.S. status usually would be made on Form W-8 under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence. The term broker generally includes all persons who, in the ordinary course of a trade or business, stand ready to effect sales made by others, as well as brokers and dealers registered as such under the laws of the United States or a state. These requirements generally will apply to a United States office of a broker, and the information reporting requirement generally will apply to a foreign office of a United States broker, as well as to a foreign office of a foreign broker (i) who is a controlled foreign corporation within the meaning of Section 957(a) of the Internal Revenue Code or (ii) 50 percent or more of whose gross income from all sources for the 3-year period ending with the close of its taxable year preceding the payment (or for such part of the period that the foreign broker has been in existence) was effectively connected with the conduct of a trade or business within the United States.

Generally, any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States federal income tax, provided that the required information is furnished to the United States Internal Revenue Service.

SELLING GROUP

The Selling Group members will receive a concession for Discount Notes confirmed to them. Certain Selling Group members and affiliates thereof engage in transactions with and perform services for TVA. Upon TVA's prior consent, any member of the Selling Group may purchase, as principal, original issue Discount Notes.

Payment of the purchase price of the Discount Notes is required to be made through the Federal Reserve Banks' book-entry system.

As of the date hereof, members of the Selling Group are:

BA Securities, Inc.

CS First Boston Corporation

First Tennessee Bank National Association

Goldman, Sachs & Co.

Lehman Government Securities Inc.

Merrill Lynch Government Securities Inc. and
Merrill Lynch, Pierce, Fenner and Smith Incorporated

Morgan Stanley & Co. Incorporated

Any statements in this Discount Notes Offering Circular involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Discount Notes Offering Circular is not to be construed as a contract or agreement with the purchaser of any of the Discount Notes.

Tennessee Valley Authority

By: /s/ JOHN M. HOSKINS
 John M. Hoskins
 Vice President and
 Treasurer

Dated May 15, 1995